

INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 U.S.C. 5302), which authorized establishment of a Treasury Department fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (+) or loss (-) for the fund are profits (+) or losses (-) on SDRs and foreign exchange, as well as interest earned on assets.

• Table **ESF-1** presents the assets, liabilities, and *capital* of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the *IMF*. Gains and losses are reflected in the cumulative net income (+) or loss (-) account.

• Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profits (+) or losses (-) on foreign exchange" includes realized profits or losses. "Adjustment for change in valuation of *SDR holdings and allocations*" reflects net gain or loss on revaluation of SDR holdings and allocations for the quarter.

TABLE ESF-1.--Balances as of Sept. 30, 1996, and Dec. 31, 1996

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

Assets, liabilities, and capital	Sept. 30, 1996	Sept. 30, 1996, through Dec. 31, 1996	Dec. 31, 1996
Assets			
U.S. dollars:			
Held with Treasury:			
U.S. Government securities	11,852,713	112,175	11,964,888
Special drawing rights ¹	10,177,430	134,865	10,312,295
Foreign exchange and securities: ²			
German marks	6,599,760	-5,130	6,594,630
Japanese yen	9,349,718	-332,319	9,017,399
Mexican pesos	3,500,000	-	3,500,000
Accounts receivable	108,445	11,053	119,498
Total assets	41,588,066	-79,356	41,508,710
Liabilities and capital			
Current liabilities:			
Accounts payable	59,561	-7,076	52,485
Total current liabilities	59,561	-7,076	52,485
Other liabilities:			
Special drawing rights certificates	9,718,000	-	9,718,000
Special drawing rights allocations	7,052,261	-6,957	7,045,304
Total other liabilities	16,770,261	-6,957	16,763,304
Capital:			
Capital account	200,000	-	200,000
Net income (+) or loss (-) (see table ESF-2) ..	24,558,244	-65,323	24,492,921
Total capital	24,758,244	-65,323	24,692,921
Total liabilities and capital	41,588,066	-79,356	41,508,710

See footnotes on the following page.

TABLE ESF-2.--Income and Expense

[In thousands of dollars. Source: Office of the Assistant Secretary of the Treasury for Management]

	Current quarter Oct. 1, 1996, through Dec. 31, 1996	Fiscal year to date Oct. 1, 1996, through Dec. 31, 1996
Income and expense		
Profit (+) or losses (-) on:		
Foreign exchange	-383,066	-383,066
Adjustment for change in valuation of SDR holdings and allocations ¹	-3,874	-3,874
Interest (+) or net charges (-) on:		
Special drawing rights	31,281	31,281
U.S. Government securities	158,432	158,432
Foreign exchange	131,904	131,904
Income from operations	-65,323	-65,323
Net income (+) or loss (-)	-65,323	-65,323

¹ Beginning July 1974, the International Monetary Fund adopted a technique for valuing the special drawing rights (SDRs) based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

² Excludes foreign exchange transactions for future and spot delivery.

Note.--Annual balance sheets for fiscal years 1934 through 1940 appeared in the 1940 "Annual Report of the Secretary of the Treasury" and those for succeeding years appeared in subsequent reports through 1980. Quarterly balance sheets beginning with December 31, 1938, have been published in the "Treasury Bulletin." Data from inception to September 30, 1978, may be found on the statements published in the January 1979 "Treasury Bulletin."